

Message Text

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FM AMEMBASSY VALLETTA
TO SECSTATE WASHDC 7266

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E.O. 11652: N/A
TAGS: PFOR, EINV, MT, US
SUBJECT: GOM REQUEST FOR AMERICAN INVESTMENT EXPERT

REF: A) VALLETTA 0138, B) VALLETTA 0087,

1. IN RECENT WEEKS, THE PRO-MINTOFF MALTESE PRESS HAS FEATURED EXTENSIVE COVERAGE ON THE SUCCESS ACHIEVED IN ATTRACTING PRIVATE INVESTMENT FROM THE FRG TO MALTA. ACCORDING TO GOM AUTHORITIES, THERE HAVE BEEN 24 GERMAN-OWNED OR GERMAN-MALTESE JOINT VENTURES ESTABLISHED IN MALTA IN THE PAST THREE YEARS, PROVIDING SOME 2,400 JOBS. THE GOM GIVES A LARGE PART OF THE CREDIT FOR THIS ACHIEVEMENT TO THE EFFORTS OF A RESIDENT GERMAN INDUSTRIAL DEVELOPMENT ADVISER, DR. KARL W. BRANDT, WHO WORKS WITH THE MALTA DEVELOPMENT CORPORATION (MDC). DR. BRANDT IS A MEMBER OF THE GERMAN INDUSTRIAL CONSULTING FIRM, KIENBAUM, FROM WHICH HE RECEIVES BACKSTOPPING IN GERMANY. HIS PROMOTIONAL ACTIVITIES AND HIS SALARY ARE FUNDED UNDER THE GERMAN TECHNICAL ASSISTANCE AGREEMENT WITH MALTA, WHICH WAS SIGNED IN 1972 IN THE AMOUNT OF DM 32 MILLION, COVERING THE SIX-YEAR PERIOD 1973-78. DR. BRANDT BEGAN HIS ASSIGNMENT WITH THE MDC IN MALTA IN 1973, AND IT IS EXPECTED THAT HE WILL CONTINUE HERE UNTIL 1978, OR PERHAPS LONGER.

2. DESPITE LONG-STANDING EMBASSY EFFORTS TO CONVINCE THE
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MALTESE THAT THEY THEMSELVES SHOULD EXERCISE MORE INITIATIVE IN SEEKING PRIVATE U.S. INVESTMENT FOR MALTA (E.G., SEE REFTELS) THE AMBASSADOR HAS BEEN ASKED ON A NUMBER OF OCCASIONS SINCE HIS ARRIVAL BY DIFFERENT MALTESE OFFICIALS (INCLUDING JOE CASSAR, CHAIRMAN OF THE MDC) IF THE USG COULD NOT DO THE JOB FOR THEM INSTEAD -- BY ASSIGNING TO MALTA (AT USG EXPENSE) AN "AMERICAN EXPERT LIKE DR. BRANDT".

3. ALTHOUGH THE AMBASSADOR HAS POINTED OUT VARIOUS REASONS WHY THIS IS DIFFICULT, IF NOT IMPOSSIBLE, THE MALTESE PERSIST, MOST RECENTLY DURING AMBASSADOR'S MARCH 3 COURTESY CALL ON THE MINISTER OF DEVELOPMENT, WISTIN ABELA.

4. IN RESPONSE, WE HAVE TRIED TO MAKE IT CLEAR TO THE MALTESE THAT THE SITUATION IS QUITE DIFFERENT AS FAR AS THE PRESENT USG AND FRG POSITIONS VIS-A-VIS MALTA ARE CONCERNED. THE PROGRAM TO ENCOURAGE FRG INVESTMENT IN MALTA IS FUNDED UNDER THE STILL CURRENT FRG-GOM TECHNICAL ASSISTANCE AGREEMENT (STEMMING FROM THE 1971-72 BASE RENTAL NEGOTIATIONS), WHEREAS ALL SUCH USG ASSISTANCE PROGRAMS FOR MALTA HAVE ALREADY EXPIRED. FURTHERMORE, THE FRG PROGRAM IS NOT BURDENED BY A PROBLEM SUCH AS THE PHOENIX CASE, WHICH MAKES IT DIFFICULT FOR PRIVATE AMERICAN INVESTORS TO KNOW WHETHER THEY MIGHT NOT EXPERIENCE SIMILAR DIFFICULTIES WITH GOM INTERFERENCE IN THEIR ACTIVITIES. WE ALSO HAVE POINTED OUT THAT CHANCES OF SUCCESS IN ATTRACTING PRIVATE U.S. INVESTMENT WOULD BE ENHANCED IF THE GOM WOULD UTILIZE A BUSINESS/INVESTMENT REPRESENTATIVE IN THE UNITED STATES TO ENCOURAGE INTEREST IN MALTA, AS WELL AS ENHANCING THEIR DIPLOMATIC REPRESENTATION IN US.

5. THE EMBASSY IS NOT CONVINCED THAT THIS GOM REQUEST FOR ASSIGNMENT OF A USG-FINANCED AMERICAN "INVESTMENT EXPERT" TO MALTA IS JUSTIFIED, SO LONG AS WE (1) HAVE NO USG TECHNICAL ASSISTANCE PROGRAM HERE; (2) SEE NO SIGNS LIMITED OFFICIAL USE

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OF MOVEMENT ON SUCH PROBLEMS AS THE PHOENIX CASE; AND (3) DETECT SO LITTLE EFFORT BY THE MALTESE TO HELP THEMSELVES.

6. ACCORDINGLY, UNLESS INSTRUCTED OTHERWISE, THE EMBASSY WILL ADVISE THE GOM THAT IT IS NOT POSSIBLE TO PROVIDE MALTA WITH AN AMERICAN INVESTMENT EXPERT AT USG EXPENSE. INSTEAD, WE WILL ENCOURAGE THE GOM TO LOOK INTO THE POSSIBILITY OF UTILIZING ONE OF THE AMERICAN CONSULTATIVE FIRMS WHICH HAS HAD PREVIOUS EXPERIENCE WITH MALTA AS A MORE PRACTICAL APPROACH. WE UNDERSTAND THAT THE GOM MAY INDEED BE CONTACTING STANFORD RESEARCH INSTITUTE FOR THIS PURPOSE. THE DEPARTMENT'S COMMENTS WOULD BE APPRECIATED. LAINGEN

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